NAHB remains optimistic about future housing market

(Continued from page 7)
economist with Wharton Econometrics.

He predicts that the growth markets for the next several years will be: Anaheim; Washington, D.C.; Fort Meyers and Naples, Fla.; Cincinnati, Seattle and Wilmington, Del.

Horwitz expects growth to slow in Phoenix; Riverside, Calif.; Norfolk, Va.; Denver; Raleigh, N.C.; and possibly Salt Lake City, depending on how active NASA, a local employer, is.

Trade-up buyers targeted

Builders are targeting much of their efforts at a demographic group where there is demand and cash in hand, the trade-up buyers seeking more living space and amenities.

"The market they're appealing to is the person who's 45, says I'm going to buy or build the house I want. I've earned it. I can afford it," said NAHB executive vp and ceo Kent Colton during a news conference.

There is both good news and bad news in this senario, according to John Herbert, president of Herbert/Smolkin Associates, a New Orleans marketing research company. Herbert addressed one of the convention's many seminars. While baby boomers often have home equity and substantial incomes required for purchasing a house, they are less mobile now than 10 years ago.

"The baby boomers are getting long in the tooth," Herbert said. "They're giving up lifestyles and starting lives." They may stay put longer but are able to spend substantial money on trade-up housing.

For the next several years, then, baby boomers will continue to require housing from the nation's builders. But the prospects for the early 1990s are less sanguine because little affordable starter housing is being built for young people born after the baby boom.

Indeed, housing formation will decline with the baby bust, said Merrill Lynch analyst Jonathan Goldfarb.

Builder interest in the profitable trade-up market is not expected to shift toward first-time buyers without economic incentive. The implications of having great numbers of Americans locked out of the housing market are obvious for both builders and remodelers.

In remarks prepared for the NAHB board of directors, David Maxwell, chairman and ceo of the Federal National Mortgage Association (FannieMae), said that a National Housing Task Force would soon release a report calling for federal, local and private efforts to develop affordable housing.

Showing off amenities

The focus of the show was the current, lucrative trade-up market, however, as reflected by five homes built specifically for touring during the show and many of the products on display.

The five homes are: the New Expanding Shelter Technology (NEST) home, sponsored by *Professional Builder*, which was constructed on the floor of the show; the New American Home, which was built in a Dallas suburb by *Builder* magazine and *Home* magazine; a Frank Lloyd Wright exhibition home sponsored by Kohler and Whirlpool; a Three Gables, a 6,100-square-foot Tudor-style home built in Dallas by *Better Homes and Gardens Special Interest Publications*; and a home built outside the Dallas convention center by Pella Windows.

If the homes suggest today's housing trends, then home buyers prefer open floor plans and expensive amenities. Following the influence of Frank Lloyd Wright, the homes generally "exploded the box." In the New American Home, for example, living room, dining room, kitchen and family room flowed into each other. In each home, expanses of windows connected indoors and outdoors to increase the feeling of space.

Amenities in the New American Home included rounded corners on all walls. The effect was achieved by an unusual curved corner bead supplied by Beadex Mfg., Stockton, Calif.

The home's sound system was accomplished with Bose speakers the size of small spot lights, which were fitted on ceiling tracks throughout the house.

The NAHB show, held Jan. 15 to 18 in Dallas, drew a record crowd of 60,126 attendees who expressed optimism about the future of the housing market. NHCN photo

The taste for upscale products was evident everywhere on floor of the show. For example, Dupont exhibited its Corian countertop material with a new granite-like appearence.

Kohler introduced a new faucet with an unusual design in which water flows along an open trough before cascading into the sink. The company also showed a new one-piece whirlpool and shower combination that was inspired by the Japanese approach to bathing.

Similarly U.S. Brass introduced its first plumbing fixtures with a high-end collection called Cambrian that includes a complementary array of faucets.

Technological amenities were also evident at the show. After a slowdown, development of the NAHB-sponsored Smart House, is reportedly gaining momentum. The research effort, aimed at revolutionizing how gas and electricity are used in the home, should result in a prototype house next year.

Emery store design program eyes independent lumberyards

(Continued from page 1)
Timbermart, a single store independent in Seabrook, N.H., is the first Q store on line and opened last October. Remington Lumber in Oakland, R.I., will be the second and Emery hopes to have at least five completed by year end in the 11-state area that it serves.

Since opening its new 40,000-square-foot store, Timbermart has increased its sales by over 24 percent, according to its president, Fred Stiles.

Before its transformation the single unit was bursting at the seams. It had already added four buildings to its original leased 10,000-square-foot showroom, and established itself as a home center specializing in kitchen and bath. The 1½-acre site had no further room for expansion, and with a sales increase of 38 percent to $5½ million in 1986, Timbermart began looking for another site.

"I was mesmerized by the home center concept and increasing margins," said Stiles.

"But I'm the single owner and wear 12 hats and didn't have time to spend on the new project," said Stiles.

Instead Stiles purchased a 16½-acre site a mere half mile away from the original store and with the help of Emery-Waterhouse began erecting the 40,000-square-foot store and three warehouses.

The cost of setting up the Q store was $6 per square foot for decor and fixtures, and $1.59 per square foot for merchandising and reticketing items in addition to the cost of product.

Timbermart differs from other prospective Q stores by already having a stronger consumer base, which is 65 percent of its total volume.

The store is however, typical in its yellow signage and racetrack layout but Stiles has added a mezzanine with offices and warehouse upstairs and an extensive kitchen and bath department underneath.

Huge French-framed windows provide a dramatic backdrop to kitchen settings and whirlpools. Timbermart stocks three different kinds of whirlpools and sold 40 in just 60 days, according to Stiles.

One of the kitchens is a complete working model from which customers are served clam chowder and coffee, while a nearby custom-kitchen room sports $5000 granite counter tops.

Kitchen and bath sales already account for 35 percent of total volume with 34 percent margins, and with the new store able to display 23 kitchens and 17 baths Stiles projects strong increases.

The store also offers a simple but unique installation service which handles 30 percent of the kitchen business. Once the customer has prepared for installation, Timbermart employees follow the delivery truck to the house. They hang the cabinets at a cost of between $20 and $25 per piece and receive payment upon the job's completion. Consequently, Timbermart is not involved in billing, or working with contractors or sub-contractors.

Since the Q store opened Timbermart has had to grapple with hiring and training new employees, as it expanded its workforce from 22 to 34, in an area where the unemployment rate dips below 3 percent.

Although Stiles would like to add a second store in future he feels confined by the problem of finding good managers.

"My sales would drop by between 25 and 35 percent now if I lost three key people," said Stiles. "All things are relative."

Wickes Lumber mgmt. leveraged buyout fails

(Continued from page 7)
Wickes Lumber will post 1987 sales of $1.1 billion for the year ended Jan. 31, 1988. Wickes Cos. had sales of about $6.1 billion.

Wickes Cos. would remain in the home center business after the sell-off by retaining Builders Emporium, the 122-store chain based in Irvine, Calif. Wickes Cos. also manufactures wall coverings and furnishings at Orchard Supply Hardwares and produces automotive and industrial products.

Company officials said Wickes Cos. does not plan to sell BE, which is more resistant than Wickes Lumber to economic downturns. BE, officials said, weathers economic storms because the chain does not rely so heavily upon sales of commodities.

Sigoloff is also identified with Builders Emporium by appearances in television advertisements.

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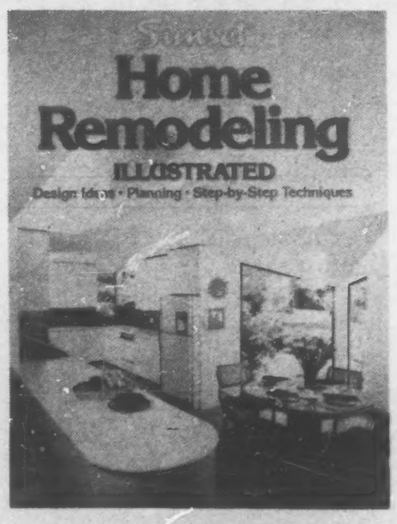

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Railroad strike wreaks havoc on New England lumber dealers

By Elizabeth Brent

NATIONAL REPORT — Democratic leaders in Maine proposed emergency legislation on Feb. 4 to allow the state to take control of the Springfield Terminal Railroad and thus end a three-month-old strike which has wreaked havoc on local shippers.

The strike has plagued New England's lumber retailers, who complain of "lost" carloads of lumber and three-month delays in shipping. Suppliers and wholesalers have felt the severest effects as they grapple with alternative and costly transport to maintain service to customers.

Dealers have already begun switching to suppliers outside New England, an effect that could last long after the strike is over. Some fear the strike may lead to the eventual demise of the railroad.

The strike is the latest in a series of labor disputes between the unions and the railroad. On Nov. 12, more than 1,000 employees walked out to protest the lack of safe working conditions, particularly the employment of improperly trained employees, following the death of a railroad employee three days earlier.

That day Robert Hopkinson, a rail worker, was killed by a runaway car in the Lawrence, Mass., railyard. On Jan. 27, Mark Mahoney, a brakeman and new employee, was crushed to death when a train derailed in the Saco, Maine, yard.

Since the first fatality, detailed inspections by the Fed-

(Continued on page 87)

B&D looks to shareholders in American Standard bid

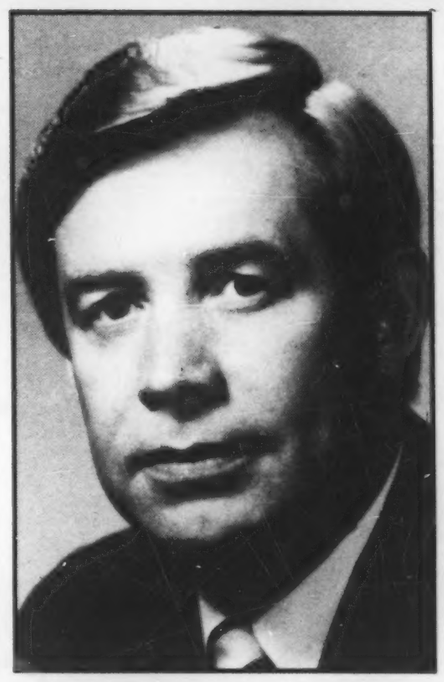
By Ariane Sains

TOWSON, Md. — Having had its sweetened offer of $65 per share spurned, Black & Decker is now seeking consent of American Standard shareholders' to take control of American's board of directors.

On Feb. 10, officials for American rejected B&D's $2.03 billion bid to take over the bath fixtures company, a bid that had been raised from an initial $1.8 billion offer ($56 per share) on Jan. 27. American told its shareholders it was exploring "all reasonable financial alternatives," including a stock buyback, a management buyout or merger to the sale of one of its properties.

The New York firm also adopted a poison pill, giving shareholders the right to purchase shares at $32.50 each (half of B&D's current offer) if any company acquires 15 percent of American's stock.

In essence, B&D, the power tool and appliance giant, is looking to defeat the poison pill, which expires March 16, and will ask American's shareholders to approve a reduction of American's board to five members from its current 10, and to elect three B&D officers—ceo Nolan Archibald, executive vp William Stevens and vp-finance Stephen Page—as board members.



Nolan D. Archibald, president and ceo of Black & Decker.

This tactic has been described as similar to a proxy battle, but does not require a shareholders' meeting.

B&D's strongest pitch is being made to arbitragers, who own 40 percent of American Standard's stock.

The takeover bid, which American's chairman William Boyd said blindsided him, (a claim B&D hotly disputes), would swell B&D's debt to more than $1.7 billion and make debt at least 80 percent of its total capital, compared to its current 42 percent level.

Because of this, both the $2 billion B&D and the $3 billion American Standard were put on Standard & Poor's Credit Watch. (B&D was to meet with S&P and Moody's Investor Service to convince them its the plan is viable and to retain its investment-grade A rating.)

B&D would reduce this debt-to-total capital level back down to 40 percent, if the deal is consummated, by selling American Standard's transportation division for $600 million, as well its as Manhattan headquarters for $20 million and assorted bits of the company for smaller sums.

In addition, B&D's ceo No-

(Continued on page 86)

Illinois-based Plywood Minn. files Chapter 11

By Gary S. Ruderman

CHICAGO — Plywood Minnesota of Illinois, the five-unit chain in the process of shifting its marketing and merchandising strategy in the heavily competitive Chicago market, has filed for protection from creditors.

Its newly remodeled Ford City unit (*NHCN*, Nov. 30, 1987) and two suburban locations were closed the first week in February, leaving the chain with just its main Chicago location and one suburban store. It closed three other units in the last two years.

President Craig Davis said the Jan. 12 filing for protection from creditors under Chapter

(Continued on page 10)

Tide may be turning on spiff payments by manufacturers

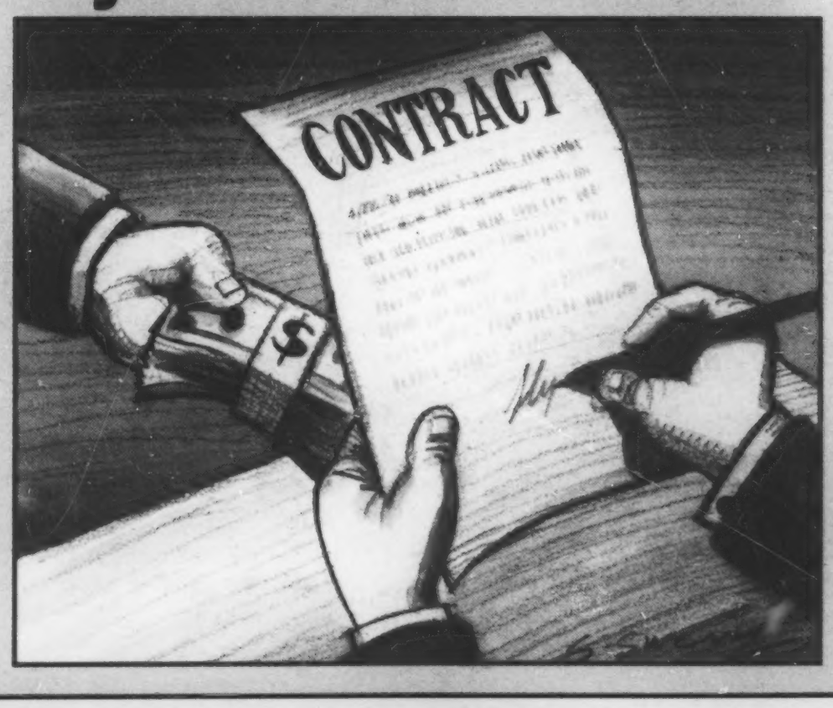
By Edward McKinley

NATIONAL REPORT — For Richard Stemper, getting a spiff from a manufacturer at a buying show is no big deal.

"I don't let a spiff influence me one way or another," said the president of Astoria Builders & Supply, a single-unit, family-owned dealer in Astoria, Ore. "A spiff is just a couple of bucks you stick in your pocket and tell yourself you're going out to dinner."

But Jim Zoller thinks the payment of money by suppliers to dealers as an incentive for a big order has too many pitfalls.

(Continued on page 86)



Police continue investigation of Strober death

By Suzanne Floyd

BROOKLYN, N.Y.— The sudden death of Eric D. Strober, chairman and ceo of the Strober Organization, was an inexplicable shock to friends and industry associates alike.

Strober's plunge from a 22nd-floor office window in midtown Manhattan on Jan. 27 remains under investigation by New York law enforcement officials.

While the motivation or even the exact cause of the fall has yet to be determined, some facts are known:

Police reported that the 46-year-old Strober had been meeting with David Bern-

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Logistics gain more attention from dealers 24

Panel offerings squeeze display space 47

Lack of info plagues new molding product acceptance 47

NEWSBREAKS

HECHINGER TO ANCHOR NEW MALL CONCEPT: Sources familiar with the chain say it will be one of 35-40 stores in the 240,000-square-foot Home and Design Center to open in Philadelphia in 1989. Hechinger declined comment.

INTERNATIONAL BUYING ORG. IN WORKS: The international division of Alliance RO-NA, Markham, Ont., is looking to form a buying organization made up of some 22 buying groups worldwide, including Cotter & Co., Hardware Wholesalers Inc. and Ace Hardware.

INDUSTRY UPDATE

Jim Walters LBO completed

NEW YORK — Kohlberg Kravis Roberts & Co. has completed its $2.44 billion leveraged buyout of Jim Walter Corp., Tampa, Fla.

The $60-a-share offer began in August, even as PaineWebber, a subsidiary of the New York investment banker, was considering a Jim Walter takeover.

PaineWebber abandoned the idea after two of its bids were rejected by Jim Walter management.

For the buyout, a group of Jim Walter managers formed Hillsborough Acquisition Corp. with KKR.

As much as $2.3 billion was made available to the group through a group of banks led by Manufacturers Hanover Trust Co. and Bankers Trust Co.

Chicago's Great Ace adds unit

CHICAGO — The Great Ace, Chicago's high-end, fashion-oriented retailer, has slated a second unit in an up and coming northside neighborhood.

The company signed a lease in the Butternut Square development adjacent to an area of intense residential renovation and commercial development, owner Phil Smiley confirmed.

Construction of the 30,000-square-foot, two-story store is underway with a June occupancy date and fall opening scheduled.

Unlike the flagship 30,000-square-foot unit, which draws more than $12 million in sales from the predominantly rental area, the new Great Ace will have a parking lot.

Dixieline adds 5th unit in 12 mos.

SAN DIEGO — Dixieline Lumber plans to open a 52,000-square-foot home center in Vista, Calif., in April, marking the fifth unit Dixieline has opened in the last year and raising its current store count to 10 units in San Diego County.

Walt Heise, the chain's vp-merchandising, said there are no plans to open additional stores in 1988, adding that "we've gone as far as we can logically go with current staffing."

The Vista facility is a former Handyman outlet.

HomeClub progress is praised

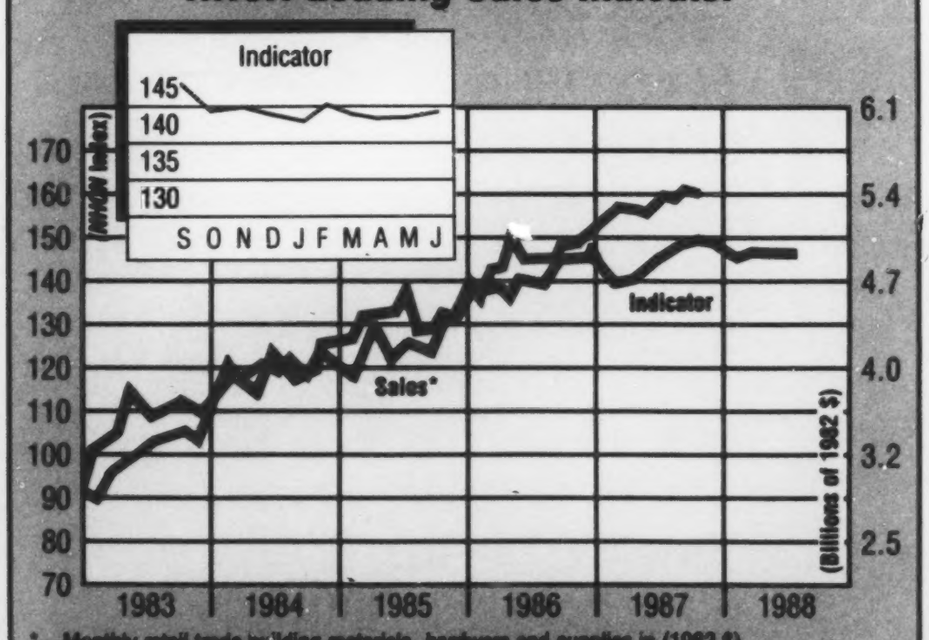
FRAMINGHAM, Mass. — Zayre Corp. chairman Maurice Segall said that he was particularly "gratified" by the "progress" made by HomeClub, the warehouse membership chain, for the fiscal year ended Jan. 30.

Segall said Zayre's warehouse segment—consisting of 36-unit HomeClub and BJ's Wholesale Club—would post operating income compared to last year's loss.

Segall added that he expects the discount department stores division to report a pretax operating loss for the fourth quarter and for its fiscal 1988 year.

The discount stores contribute about half the company's $6 billion annual sales volume.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a softening in building materials sales through the first half of 1988. Housing starts are declining, pointing to a slowdown in sales in the months ahead.

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Stanadyne accepts $820M LBO; stifles Emhart takeover attempt

By an NHCN staff editor

NEW YORK — Stanadyne Inc. has agreed to be purchased by Forstmann Little & Co. for $820 million in a leveraged buyout, defeating Emhart Corp.'s hostile takeover attempt.

New York-based Forstmann, which specializes in leveraged buyouts, began its $55-a-share offer for Stanadyne on Feb. 5.

Emhart had originally offered $585 million or about $40 a share. Its spokesman, John Budd, confirmed that Emhart had sweetened its offer, but would not say by how much. "We may have to do this again," Budd said, "and there's no point in setting a precedent."

He said his company has no plans to pursue its bid for Stanadyne, but is actively looking for other acquisitions. "The rationale for [buying Stanadyne] didn't go away," Budd said.

On Jan. 22, Stanadyne's board had rejected the original bid and urged stockholders not to tender their shares.

On Feb. 2, Stanadyne announced the Forstmann Little deal. Sources close to Stanadyne confirmed that there were other bidders for the company, but would not name them.

Under the terms of the buyout agreement, Stanadyne's existing management will remain. Brian Little, a partner in Forstmann Little, told *NHCN* that his firm was impressed with Stanadyne's managers.

The agreement also gives Forstmann Little the option to purchase 33.5 percent of Stanadyne's stock in a block from trusts established through the will of Beatrice P. Delany, whose family was one of the company founders.

Little said the firm would exercise the option only if a competing offer were made.

Two Payless senior executives resign

By an NHCN staff editor

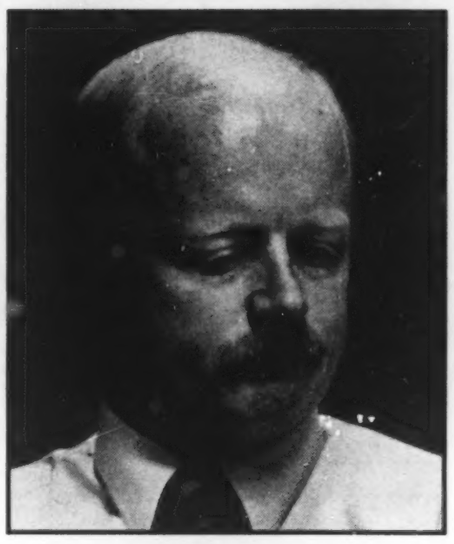
KANSAS CITY, Mo. — Two more senior executives of Payless Cashways have resigned to seek positions elsewhere.

Brad Talley, vp of management information, left the 195-unit retailer Jan. 29. John Woodfill, vp and treasurer, left the company late last year.

Last September, in a management reorganization, senior vp of operations Larry Koeppen and senior vp of merchandising John Breedlove left the firm.

Talley's resignation came as no surprise, according to Payless chairman David Stanley.

"When Brad joined us in 1982, he said that he planned to return to his home in Florida when the job here was complete," Stanley explained in a prepared statement.



John Woodfill, former vp and treasurer of Payless Cashways. NHCN photo

Last fall Talley told Stanley he was ready to make the move but agreed to stay through year end.

Leaves to become cfo

Woodfill, who joined Payless in 1972, left to "achieve his goal" of becoming a chief financial officer, Woodfill told *NHCN* from his home.

He has since secured a cfo position outside of the industry. Woodfill said the recent shifts at Payless were part of the normal changes at a large corporation.

Talley came to Payless from the Florida-based Scotty's chain and was elected to the Payless vp post in 1985.

Talley could not be reached for comment on his future plans.

Salinas-based Hayward buys San Luis Mill

By an NHCN staff editor

SALINAS, Calif. — Six-unit Hayward Lumber has acquired San Luis Mill & Lumber in San Luis Obispo, Calif., for an undisclosed price, president Homer M. Hayward said.

Hayward Lumber, which operates full-service lumberyards in Pacific Grove, Carmel, Salinas, Hollister, Paso Robles and Morro Bay, is not affiliated with Claremont, Calif.-based Hayward Lumber, which operates 16 home centers primarily in the California desert.

In another company development, Salinas-headquartered Hayward held a grand opening in February of its renovated Paso Robles store, which has been expanded by 6,000 square feet.

Supply One sets sights on Calif. for expansion

By an NHCN staff editor

RANCHO CORDOVA, Calif. — Supply One, the four-year-old home center company founded by the Steiner-Levi family partnership, is scouting possible sites for expansion in California, said president Jay Steiner.

"We will look for opportunities in California," Steiner told *NHCN*, noting that the retailer—which now has units in Oregon and Nevada—had been unable to open units in the Golden State because of a five-year noncompete clause with Payless Cashways that expired in January.

That clause went into effect when the Steiner-Levi family sold their Sacramento-based, 11-unit Lumberjack chain to Payless Cashways in 1983.

Jay Steiner, president, says that Supply One is planning to expand into Calif. NHCN photo

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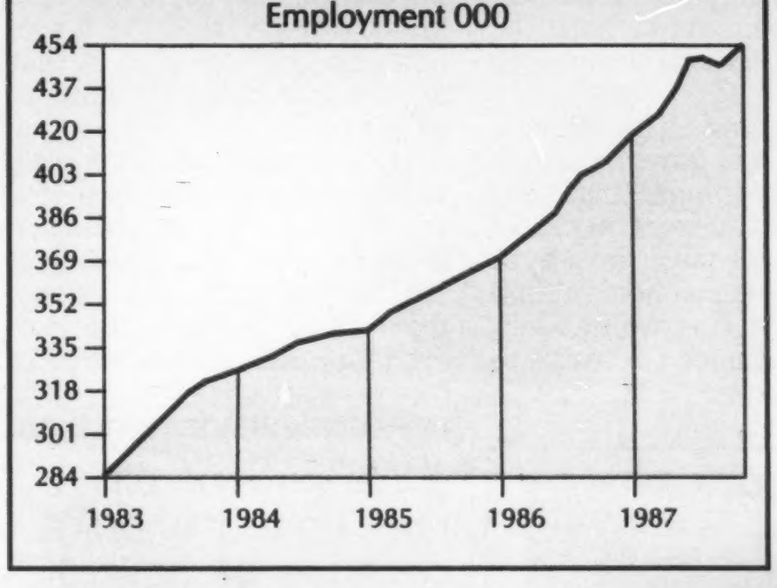
Business Watch

Section 4

Slow Wall Street-type employment



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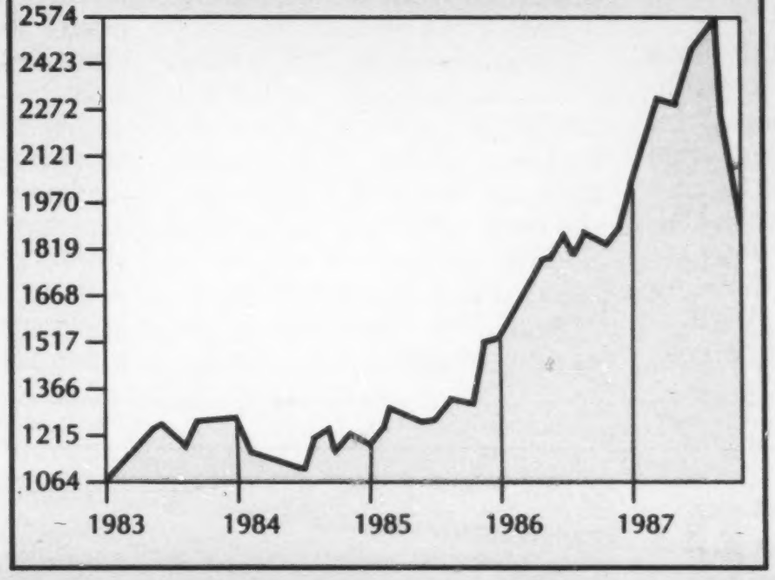

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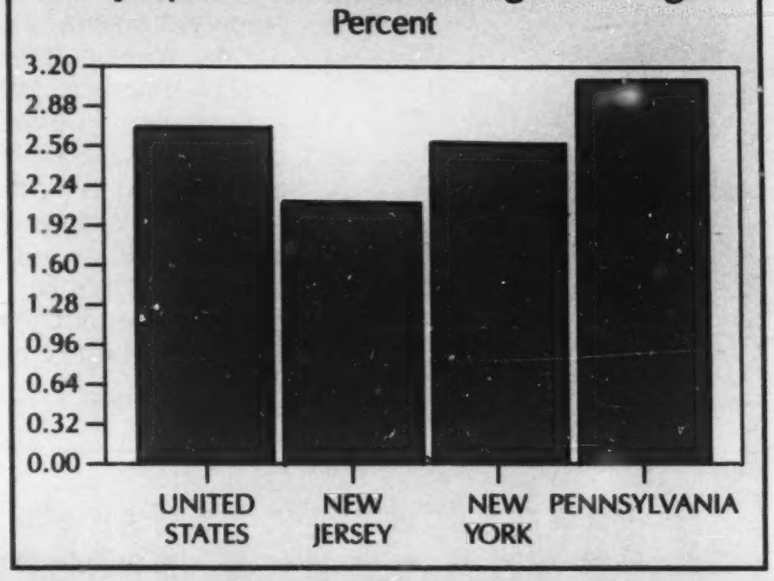


Middle Atlantic sales to drop after posting record performance

By Richard E. Mount
Special to NHCN

Building materials sales in the Middle Atlantic states are likely to decline 5 percent in dollar volume in 1988 as the growing weakness in financial services employment continues.

While sales could be down slightly in 1988, this follows a record 1987 performance in which sales increased 21 percent, the strongest in the nation.

The Middle Atlantic states, especially New Jersey and New York, were star performers until recently.

Financial and business services' employment rose rapidly in these states. The communications industry also expanded from the multitude of new products and the increased number of firms following the breakup of the telephone company.

Richard E. Mount

Employment in the Wall Street area declined in January 1988, down about 15,000 persons, with further cuts expected. While recent announcements have made headlines, employment in financial firms and for commodities brokers has been largely unchanged over the past six months.

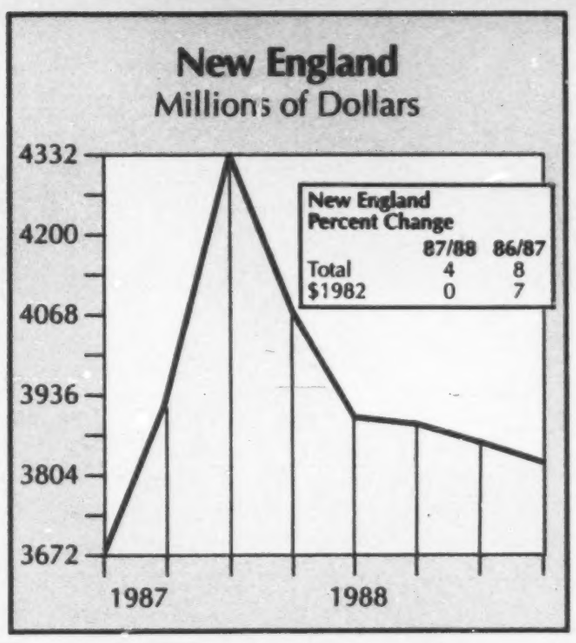
Mergers of financial institutions caused sharp reductions in the number of total employees, and the new tax law makes municipal bonds less attractive, causing many firms to reduce or eliminate entire municipal bond departments.

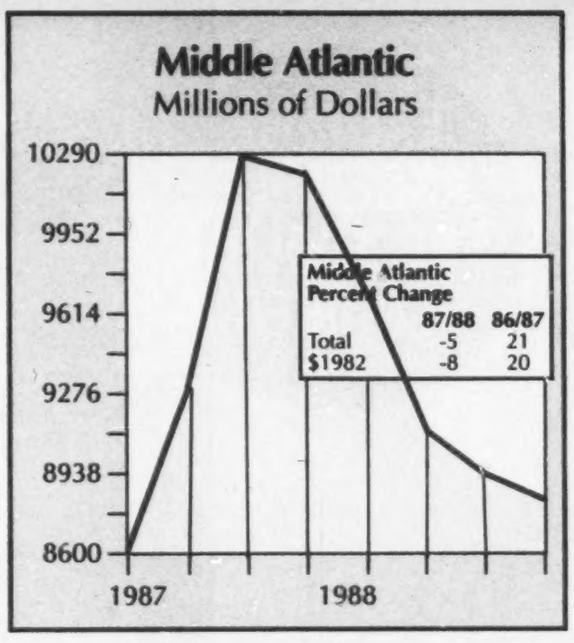
While building materials sales near the New York City metropolitan area will suffer from the fall in employment, most other parts of the state will remain strong.

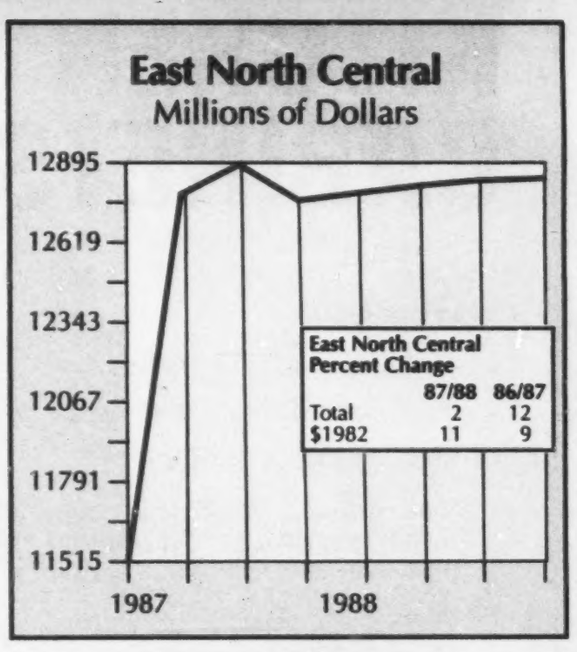
The anticipated decline in regional building materials sales is probably more of a minor correction than a major retrenchment. With much of this outlook dependent upon possible future reductions in financial services employment, the risk to the forecast is that the region might be stronger.

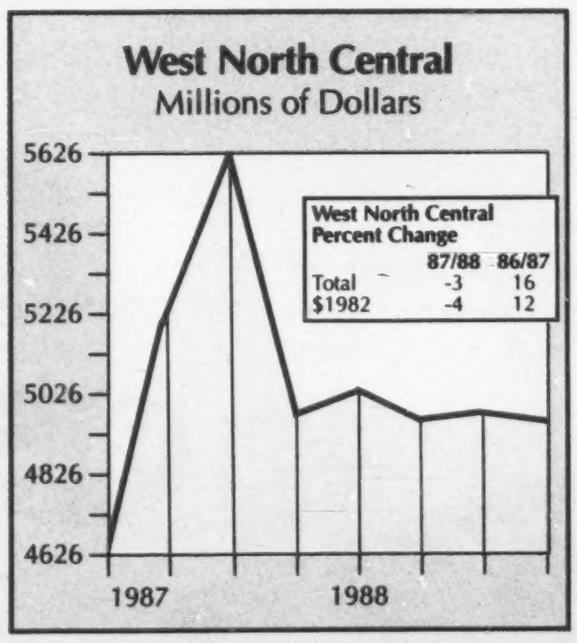
Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

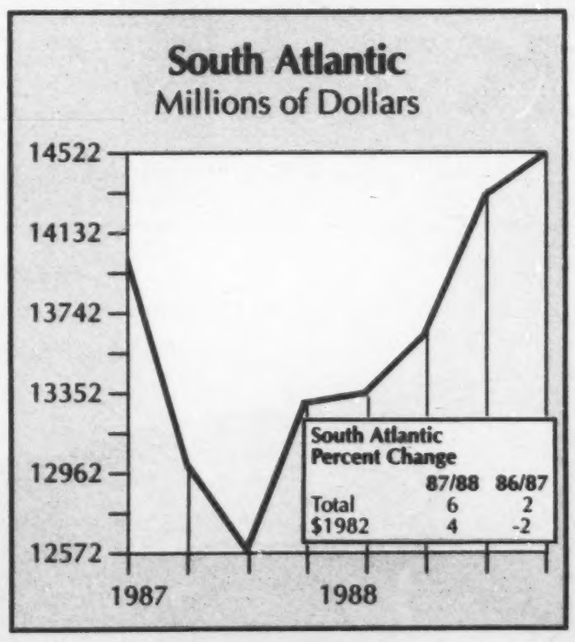
Regional Outlook: Building Material Sales

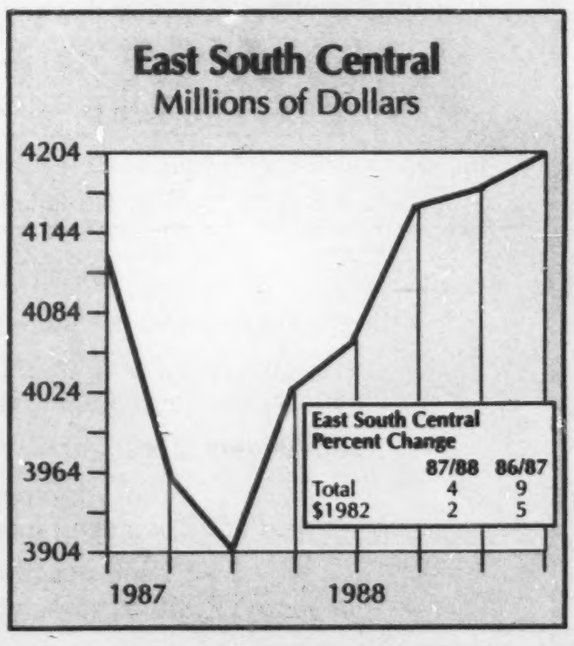


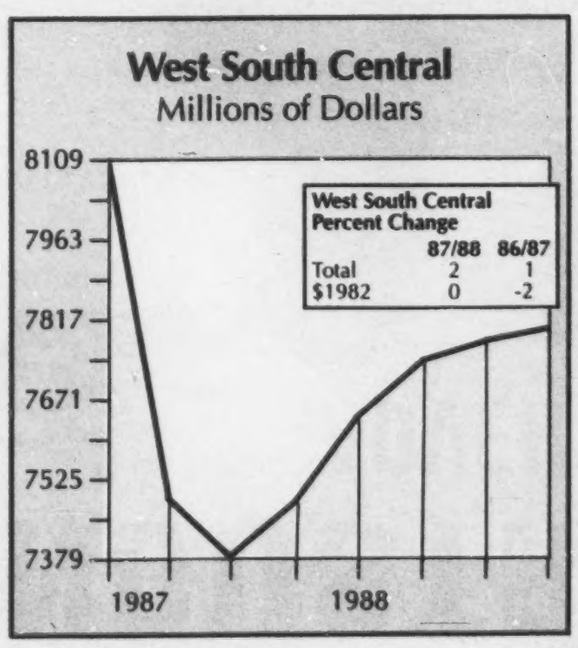


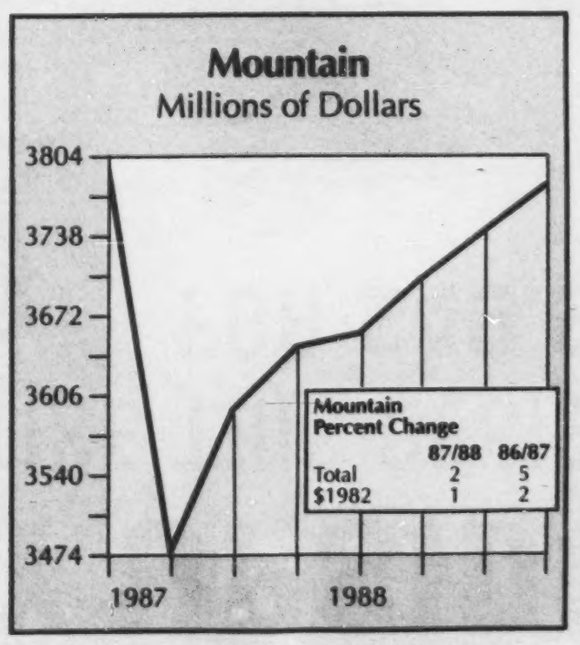


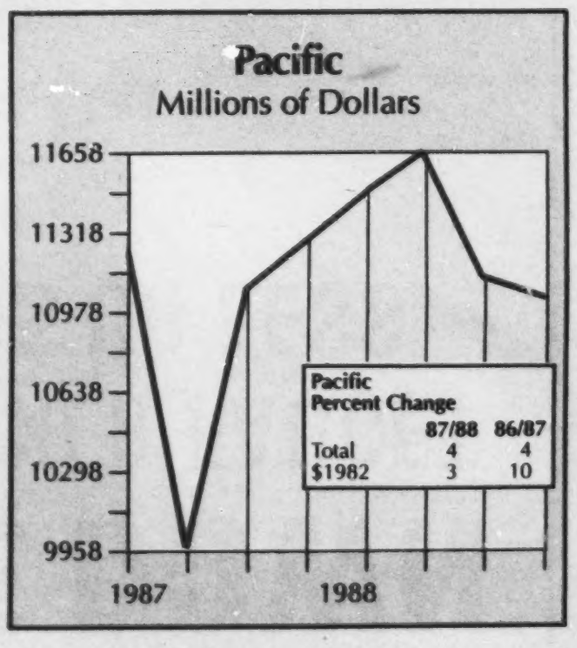












Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
November 16, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*